

INTERNATIONAL Herald Tribune

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Table with subscription rates for various countries including Algeria, Argentina, Australia, etc.

BASEBALL SUNDAY RESULTS See SPORTS, Page 19

Gorbachev's Dilemmas

Pulling Out Of Afghan Quagmire

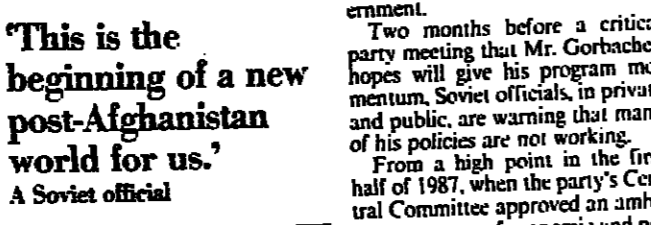
By Don Oberdorfer Washington Post Service

The Soviet Union's fifth march out of the quagmire of Afghanistan began to develop within a month of Mikhail S. Gorbachev's rise to power in March 1985...

Party Inertia Hobbles His Reform Plan

By Philip Taubman New York Times Service

MOSCOW — There is a growing sense in the Soviet Union that major elements of Mikhail S. Gorbachev's effort to reshape the country have been crippled...



This is the beginning of a new post-Afghanistan world for us, a Soviet official



As West Bank protests continued, Israeli troops fired live ammunition and rubber bullets Sunday at demonstrators in El Hader.

Israelis Seal Off Enclaves

Death Toll at 14 After Riots Over PLO Aide's Death

By Glenn Frankel Washington Post Service

JERUSALEM — The Israeli Army sealed off most of the occupied West Bank and Gaza Strip on Sunday and imposed curfews on nearly a half million Palestinians following a wave of violence protesting the assassination of a senior Palestinian Liberation Organization leader.

Hijackers Give Mediators More Time

By Jonathan C. Randal Washington Post Service

ALGIERS — Hijackers holding 31 Arab hostages aboard a Kuwait Airways jumbo jet relented Sunday and gave the Algerian government more time to break the deadlock.

Kiosk

U.S. Sets Study Of a 2d Airline

WASHINGTON (Reuters) — Transportation Secretary James H. Burnley 4th said Sunday that the government would undertake a major safety investigation of Continental Airlines Inc. similar to one being conducted into Eastern Air Lines Inc.

Iraqi Offensive To Retake Faw

KUWAIT — Iraq launched a large offensive Sunday aimed at driving Iranian forces off the Faw Peninsula, where Iranian military authorities said their forces were being bombed during the day with chemical weapons.

IMF Adopts Aid Role in East Europe

By Jackson Diehl Washington Post Service

WARSAW — After years of watching from the sidelines, the International Monetary Fund is moving toward a major role in aiding debt-burdened countries in Eastern Europe and is exerting a significant influence over the Soviet bloc's most important economic reform programs.



PRAYERS FOR WARSAW VICTIMS — Mieczyslaw Szapiro, an elder of the small remaining community of Jews in Warsaw, leading a prayer during an independent rally on Sunday that commemorated the 45th anniversary of the Jewish ghetto uprising against the Nazis. Page 6.

In Upstate N.Y., It's Dukakis

By R.W. Apple Jr. New York Times Service

BUFFALO, N.Y. — There are two ways to look at the electoral calculus for the Democratic presidential primary in New York on Tuesday.

To Jumpy U.S. Markets, Good Economic News Smells Bad

By Reginald Dale International Herald Tribune

Six months after the great market collapse of 1987, the good news is that the U.S. economy is far healthier than almost anyone expected.

MONDAY Q&A section with various news snippets and advertisements.

Prime Minister Bob Hawke of Australia confronts his country's racial and economic problems. Page 2.

Newly rich people in Japan are threatening to consume the middle-class consciousness of the country. Page 7.

A project to build a futuristic laser for the SDI program is far behind schedule and short of funds. Page 3.

Motorola Corp. is joining the ranks of companies making computer chips with the radical new RISC design. Page 15.

Senator Paul Simon of Illinois, who is no longer campaigning actively, 1 percent, with 23 percent undecided. Mr. Jackson has almost twice as big a share in statewide polls.

Commenting on his poll, Gerald M. Goldhaber, head of the survey firm, said it showed that "Eric County's not ready for Jackson, they're ready for Dukakis if they have no other choice."

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A Bumpy Chinese Road

China's just concluded National People's Congress approved what the Politburo asked it to. No surprise there. But this time there were open debates and more press coverage than usual.

The congress approved parts of a solution on which all can agree. It gave legal protection to private enterprise, already the fastest growing sector of the economy.

Canute in Washington

No sooner had the seven governments pledged to keep exchange rates stable than the American trade figures appeared on Thursday — and the dollar lurched downward again.

hope of eliminating that dependence on foreign money is fading fast. As the deficit in traded goods slowly comes down, it is increasingly being offset by the financial burden of servicing those foreign debts.

A Message for Shamir

No national security question rings louder in the American presidential campaign than the Arab-Israeli conflict.

national conference. It would have no powers beyond launching direct talks between Israel and a Jordanian-Palestinian delegation.

Other Comment

Religious, Armed and Dug In

Israel over the past few years has been seized with a wave of religious fervor which has not yet abated.

little affection for the Arabs (and even less for Israeli journalists, whom they regard as a pack of traitors). They are all armed, and in the event of a peace agreement the problems which the army now has with the Arabs would be fun and games compared to the problems it would have with the Jews.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1988-1992 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen



At a time of great national boredom, the people search for reassurance...

Forty Years Later, a Crucial Choice for Israelis

By Anthony Lewis

BOSTON — Israel became a state on May 14, 1948. A month later its government faced a fateful issue.

A possibility now being discussed openly is 'transfer of population.'

surrounded the Israeli group and took them into Beita. In the village, two more people were killed: another young Palestinian man and a 15-year-old Israeli girl, Tirza Porat.

because of rescue by military force but because some villagers did not allow them to be harmed.

pen. A further possibility, openly discussed in Israel now, is what is politely called "transfer of population."

Decline for America? It Depends on Americans

By Paul Kennedy

NEW HAVEN, Connecticut — One of the mixed blessings of having written a best seller, "The Rise and Fall of the Great Powers," is the ensuing array of interpretations and misinterpretations of what it is saying.

ber of native American engineers, and massively to boost the scientific and mathematical skills of 17-year-olds (although that again would cost money). It could increase the school year from the present 185 days to something closer to the Japanese standard: about 240 days.

All these things could be done — if the people and their political representatives wanted it. But when I suggest this package of policies to audiences across the country, I hear murmurs of disbelief and disagreement.

The world is more heavily armed than it has ever been, and more and more obliged to recognize that arming has not solved the problems it was meant to. The superpowers are just beginning to think seriously about reducing their globe-busting weapons.

For France, a Made-Over Fifth Republic Beckons

By William Pfaff

PARIS — The final week of France's presidential eliminations has arrived. By Sunday night the French will know the two men from whom, on May 8, they will make their final choice for president.

chers compatriotes. He writes that "a program is the affair of political parties, not of a president of the republic, or of someone who wishes to become president."

wins a new term he will not immediately dissolve parliament but will name a new prime minister to form a government from the present National Assembly, which is dominated by non-Socialist forces.

of Charles de Gaulle's institutions. Mr. Mitterrand was an enemy of the Fifth Republic at the start, describing it, in a notorious phrase, as "a permanent coup d'état."

Director de la publication: Walter N. Thayer

A Mandate For Japan: Consensus

By Flora Lewis

TOKYO — Thoughtful Japanese analysts are grappling with a political and philosophical problem that is probably unique in the history of nations.

This is one point on which Japanese consensus-building is not a device for concealing and surmounting real divisions. It expresses a profound national agreement.

But this is a purely negative answer to the increasingly pressing question of Japan's role in the world.

100, 75 AND 50 YEARS AGO

1888: Matthew Arnold NEW YORK — News of Matthew Arnold's death (of heart failure on April 15 at Liverpool), coming so closely upon the discussion which the publication of his latest views of America has aroused in all parts of the country, has created a profound impression.

1913: Tariff Opposed NEW YORK — The Democratic caucus yesterday (April 16) upheld President Woodrow Wilson's decision for free raw wool, and the motion for a 15 percent ad valorem duty was lost by a vote of 190 to 42.

مكزامن التحصيل

QUAGMIRE: Moves on Afghanistan Came a Month After Gorbachev Took Power

(Continued from Page 1)
The Soviet Union's invasion of Afghanistan in December 1979... Robert Legvold of Columbia University, a veteran Soviet analyst, said he was told recently by a source in Moscow that Leonid I. Brezhnev, then the Soviet leader, and only three or four other men at the center of power in the Kremlin... Mr. Legvold was told of the decision makers, nearly all in their 70s...

home. All these conflicted with continuation of the Afghan war... Mr. Gorbachev said little about Afghanistan at first. But just two months ago, in a speech to the Central Committee, he said that his policy shift began in April 1985... Cordovez, the UN mediator, said later, only two months after Mr. Gorbachev took over, the Soviets "came up with a number of ideas on how the negotiations should move forward..."

When Babrak Karmal resisted the new Soviet peace-making proposals, Moscow removed the man they had installed during the 1979 invasion and on May 4 replaced him with General Najib... Meanwhile, Mr. Reagan in April 1986 ordered the Central Intelligence Agency to provide the resistance with the high-technology Stinger anti-aircraft missiles... Suddenly Soviet forces that already were stretched thin protecting themselves and their supply lines no longer had mastery of the air in rapidly expanding areas where the Stinger missile was in use...

The first indications of a high-level political shift came in Moscow in November to a visiting delegation of Americans from the private Dartmouth U.S.-Soviet discussion group... Several of the visiting Americans were invited to appear on Soviet television, with suggestions that they be frank about Afghanistan... Afterward, the Americans were commended by their Soviet hosts, one of whom confided, "The Soviet people have to start learning that we have to get out of Afghanistan, and we can't go on television to say it..."

Just after the new year in 1987, the Soviet foreign minister, Eduard A. Shevardnadze, and Anatoli G. Dobrynin, the Kremlin foreign policy adviser, flew to Kabul on a surprise visit... Mr. Shevardnadze said publicly there that a political settlement in Afghanistan was "feasible" and "close"... He added, in a reference to Pakistan: "It is only needed that in neighboring countries they also realize what is in their interests and what isn't..."



Major General Najib, left, and Mikhail S. Gorbachev during their meeting April 7 in Tashkent.

A U.S. official said he believes the Kremlin came to see the war as a mistake whose costs could be sustained, but that tripling or quadrupling the commitment would have made it a mistake of unsustainable proportions... By June 1982, two and a half years of war had brought only an ever-higher toll of death, injury and displacement... When Mr. Gorbachev became general secretary of the Soviet Communist Party in March 1985, Afghanistan meant stalemate...

U.S. assistance to the Afghan resistance, with strong backing from Republicans and Democrats in Congress, had skyrocketed: \$30 million in 1983, \$120 million in 1984, \$250 million in 1985... Unlike his three immediate predecessors, Mr. Gorbachev had no public record of commitment to the war... He knew that to regenerate the Soviet Union's declining economic and political fortunes, he needed eased relations with nations on the Soviet periphery and with the United States...

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contact told him, "This is very important for you..." It is clear now that the decision had been made by July 20 when General Najib was summoned to the Kremlin... The Soviet leadership's basic decision to withdraw during 1988 was made during the April-July period of 1987, according to the available evidence... A Soviet official who is far below the decision-making level, but who has good contacts in high places, said the decision to withdraw began last spring in a difficult Politburo debate in which there was opposition... Mr. Gorbachev, according to his aide, found it necessary to look General Najib in the eye and tell him, "No matter what else you may have heard, I hope you are ready in 12 months because we will be leaving whether you are or not..."

U.S. Sees Sabotage at Pakistan Arms Depot

By Michael R. Gordon
WASHINGTON — U.S. Defense Department officials say they believe the explosion at a Pakistani ammunition depot was the work of agents of the pro-Soviet regime in Afghanistan... The United States still has no proof of sabotage, according to the officials, and some experts at the Central Intelligence Agency are said to believe it is possible the explosion was an accident... One U.S. government expert said the "overwhelming majority" of the equipment at the depot was intended for Afghan guerrillas fighting the Kabul government...

"Our opinion is that it was sabotage," said the Defense Department official... Afghan Rebels Rally
Amid chorused shouts of "death to Geneva," "death to America" and "Allah is great," about 10,000 Afghan refugees who described themselves as fighters of a holy war rallied Saturday in Peshawar, Pakistan, to proclaim their opposition to the agreement signed in Geneva last week... The accord provides for the withdrawal of the Soviet army.

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THE BELLE EPOQUE IN THE PARIS HERALD
by Hebe Dorsey
Eye-witness accounts of a shimmering era and its beautiful people — dazzling scandals — and crazy crazes — including the horseshoe carriage and flying machine!
Long-time Trib fashion editor, Hebe Dorsey went into the archives of the old Paris Herald (original name of today's Trib) and collected the great news stories of the turn of the century... With hundreds of excerpts of articles, delightful vignettes and 147 illustrations, this book is a vivid evocation of a period no one imagined would ever end. A great gift idea.
Herald Tribune

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30

Prices may vary according to market conditions and other factors.

April 11

Dollar Straights

Table of Dollar Straights bond prices including issuers like Australia, Canada, and France with columns for Con, Mat, Price, Yld, and Trv.

United Kingdom

Table of United Kingdom bond prices including issuers like Barclays, British Telecom, and HM Treasury.

Japan

Table of Japan bond prices including issuers like Ministry of Finance and various government agencies.

United States

Table of United States bond prices including issuers like Treasury, Federal Reserve, and various agencies.

Non-European

Table of Non-European bond prices including issuers like Air Canada, Amco, and various international companies.

Western Europe (Other)

Table of Western Europe (Other) bond prices including issuers like Austria, Belgium, and various European countries.

DM Zero Coupons

Table of DM Zero Coupons bond prices including issuers like Austria, Belgium, and various European countries.

Yen Straights

Table of Yen Straights bond prices including issuers like AIDC, AISC, and various Japanese companies.

Mutual Funds

Table of Mutual Funds with columns for Fund Name, Bid, and Ask prices.

DM Straights

Table of DM Straights bond prices including issuers like Austria, Belgium, and various European countries.

DM Zero Coupons

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Wall Street Review

Summary of Wall Street market activity, including stock indices and key news items.

NYSE Most Actives

Table of NYSE Most Actives showing top trading volume stocks.

AMEX Most Actives

Table of AMEX Most Actives showing top trading volume stocks on the American Exchange.

NYSE Sales

Table of NYSE Sales showing trading volume by sector.

AMEX Sales

Table of AMEX Sales showing trading volume by sector.

NYSE Diaries

Table of NYSE Diaries showing trading volume by time of day.

AMEX Diaries

Table of AMEX Diaries showing trading volume by time of day.

NYSE Sales

Table of NYSE Sales showing trading volume by sector.

WestLB

WestLB logo and introductory text for the advertisement.

Fixed Income and Equities Trading - for dealing prices call:

Main advertisement text for WestLB, detailing services and contact information for various offices.

WestLB

WestLB logo and contact information.

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BAHRAIN

With a new assertion of business confidence, Bahrain companies now see the country's potential role as a bridge to the markets of the Gulf Cooperation Council nations and as a sophisticated host to visitors from the Gulf and elsewhere. There is renewed optimism as diversification of the economy goes forward, building on the base of the most advanced financial and communications structures in the Middle East.

BAHRAIN'S unusually heavy winter rains have made the well-tended lawns and parks of Manama particularly verdant this year. Their spruce and manicured look matches the strong feeling in the business community that economic prospects are looking up, following the beginning of a gradual recovery from the oil price slump in 1987.

The mood reflects a sense of the past and future of an economy that has witnessed the full cycle of boom and recession in the region.

Situated halfway along the Gulf, off Saudi Arabia's Eastern Province, Bahrain occupies a strategic location on traditional Gulf trading routes. An abundance of fresh water — which, from springs on the sea floor, helped nurture the early pearl industry — together with sheltered anchorages in the archipelago's 33 islands have made Bahrain a natural commercial center throughout its long history.

Early decisions before the boom period led to development of a modern telecommunications and transport infrastructure that has been vital in maintaining confidence in Bahrain during a less expansive period.

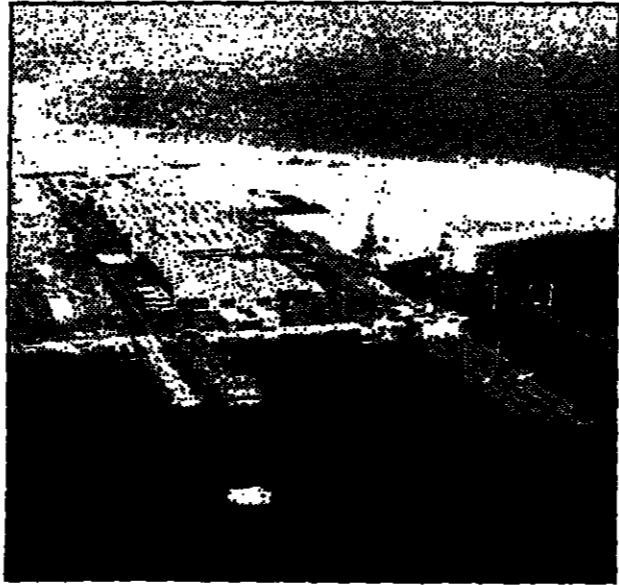
The record level of international telephone calls and the 1.5 million transit passengers who passed through Bahrain's international airport last year do not suggest a dormant economic environment.

There is a more relaxed mood this year. Bankers are encouraged by the planned opening of the Bahrain stock exchange during 1988. This follows the establishment in 1983 of an information system linking Bahrain's stockbrokers and providing data on 34 companies.

The 25-kilometer (15 miles) causeway linking Bahrain with Saudi Arabia opened in November 1986 and has had a significant impact, with one million vehicles having used the road link in the last year.

Apart from its industrial importance — providing a cheap land route between Manama's main port of Mina Sulman and Saudi Arabia — the causeway is helping one of Bahrain's main aims, the development of tourism.

Bahrain has always offered an urbane and relaxed environment to the professional visitor and a wealth of



Arab Shipbuilding & Repair Yard drydock (above); central Manama and diplomatic area, Bahrain (right).

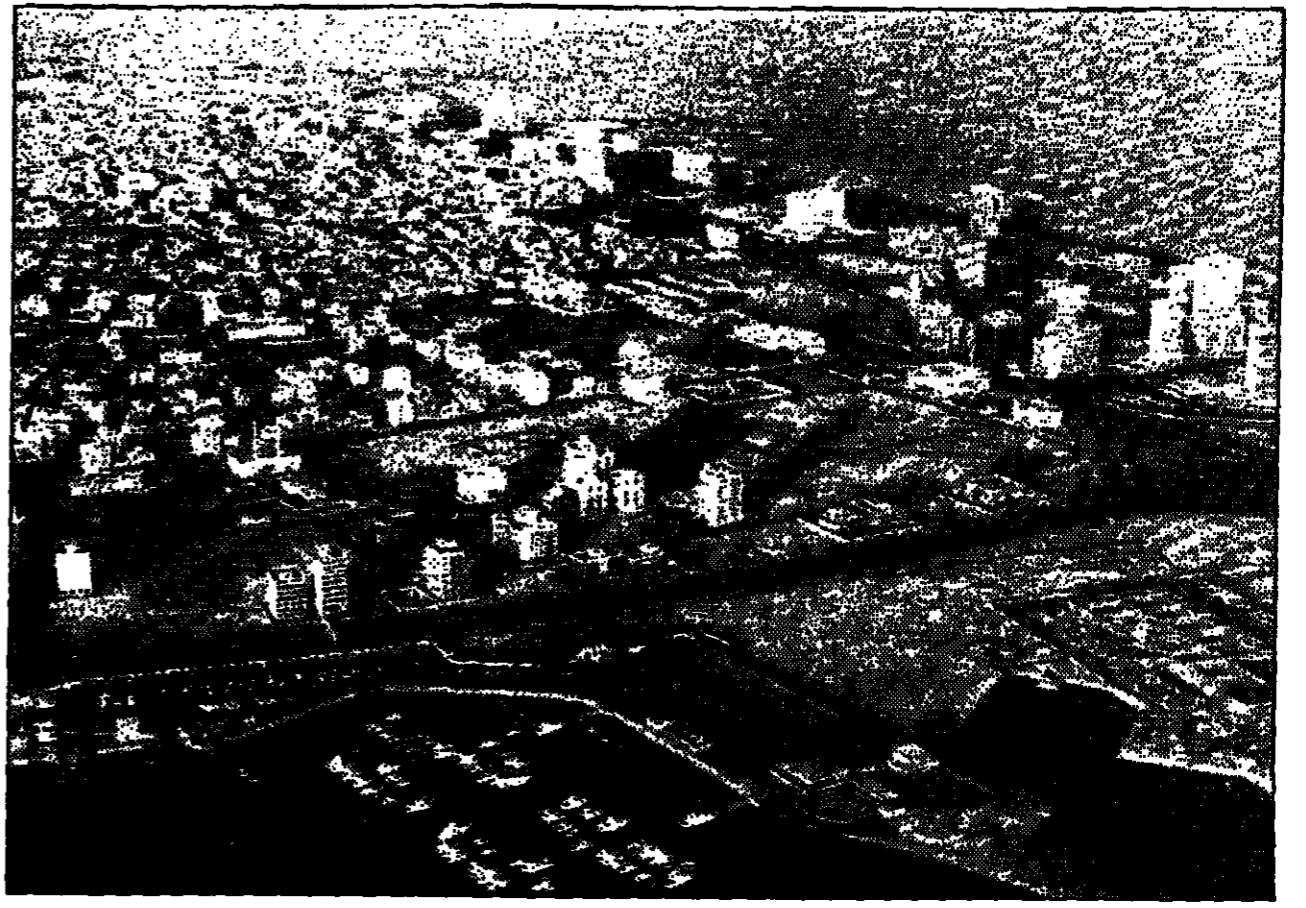
historical interest, now being steadily excavated, that traces Bahrain back 5,000 years when it was known as Dilmun.

From the government's viewpoint, tourism development, particularly aimed at Gulf nationals and their families, means the generation of foreign exchange, employment and encouragement of private investment in the services sector.

According to Information Minister Tariq Abdel Rahman Almoayed: "We want more Bahrainis to benefit directly from employment in tourism. There are now 5,000 jobs available in the hotel industry. These are being filled at present by non-Bahrainis."

Another key aim, but a much broader task, facing the government is the consolidation of existing industry and encouragement of further diversification moves away from the diminishing role of oil in the economy's future.

What has been achieved is already impressive. The



availability of Saudi crude oil in adequate quantities to supplement Bahrain's limited output led to the construction of the refinery run by Bahrain Petroleum Company (BAPCO) and now processing nearly 250,000 barrels a day.

The existence of natural gas also made viable the setting up of an aluminum smelter while the Arab Shipbuilding & Repair Yard Company (ASRY) operates one of the world's largest drydocks, able to accommodate ultralarge crude carriers of up to 500,000 deadweight tons. In 1987 its occupancy was nearly 90 percent.

Most of Bahrain's industrial base have had problems in the last two years. Problems have limited output at Arab Iron & Steel Company (AISCO), which is expected to be taken over by a group of investors led by the Kuwait Petroleum Corp.

The situation is more upbeat in Bahrain's aluminum industry, still the key to the government's diversification drive 17 years after production started.

The price per metric ton for aluminum soared in 1987 to an average of \$1,563, encouraging Aluminium Bahrain (ALBA — 57.9 percent government-owned) to produce 180,000 metric tons last year, 10,000 above its rated capacity. With prices still firm, ALBA expects production to reach 220,000 metric tons a year by 1990.

Plentiful supplies of cheap natural gas have boosted ALBA, which is providing jobs to 1,650 workers — the majority of them Bahrainis. Ancillary industries have also been developed, including Bahrain Aluminium Extrusion Co., International Bahrain Aluminium Atomizer Co., Midal Cables and the newest, Gulf Aluminium Rolling Mill Co.

All of Bahrain's major manufacturing enterprises are seen as having bright futures, although officials say one lesson to be drawn from the industrialization process is not

to spend heavily on big plants that create only a few jobs at high cost.

In partnership with the other Gulf Cooperation Council states, Bahrain is looking for opportunities for import substitution.

At the beginning of 1987 the Ministry of Development and Industry, assisted by the United Nations Industrial Development Organization and Ireland's Industrial Development Authority, began researching import substitution manufacturing opportunities based on the Gulf markets.

Two seminars were held last year in June at which these opportunities were presented to potential Bahraini private sector investors. Following the investors' expression of interest, the ministry, with the IDA, embarked on the next stage of obtaining overseas joint venture partners. A wide range of product areas has been identified for possible local production, including insecticides, mirrors, soap, electric motors, transformers, bandages, gauze and boot polish.

Government officials say: "We are encouraging small industries to replace imports and we will bring in foreign partners."

The government intends an increased effort, including setting up overseas promotional offices, to promote Bahrain as the most suitable location for overseas companies wishing to establish manufacturing units in the Gulf. The expanding markets in the Gulf Cooperation Council are estimated to comprise the ninth largest economic unit in the world.

In the next five years the GCC aims to substitute 30 percent of its imports by local manufacture. It also seeks to avoid excess production capacity. Therefore, it is argued, the manufacturing ventures established early will operate from a privileged position.

—Anthony Richard

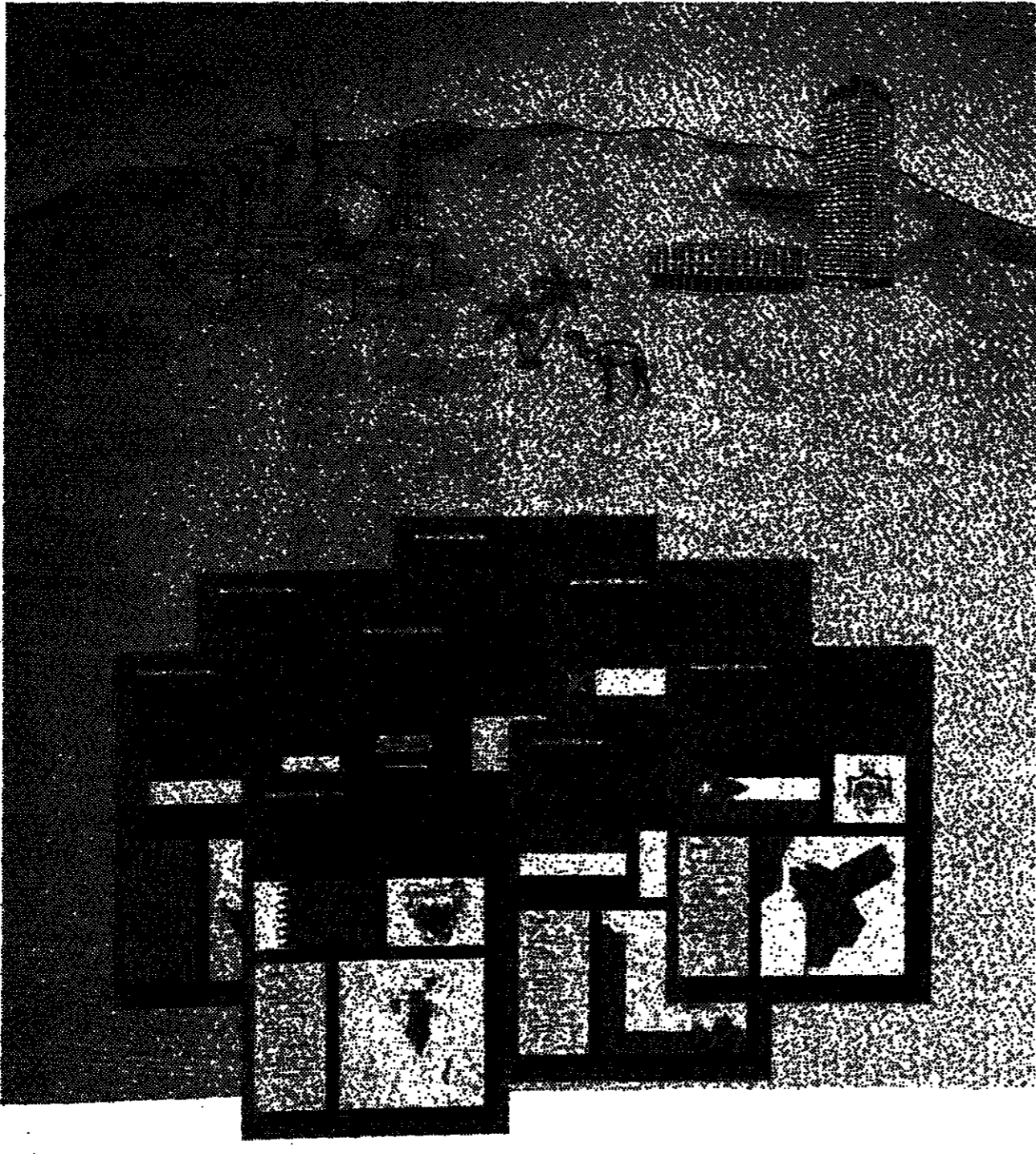
Financial market data including exchange rates and stock indices for various regions like Asia, Europe, and the Americas.

Market Review

Table of AMEX Most Active stocks with columns for stock name, price, and volume.

Utilities Trading

Table of utility trading data, possibly including company names and trading volumes.



Advertisement for The British Bank of the Middle East, featuring the text "Explore" and "Today, with 1,300 offices in more than 55 countries..."

Large advertisement for a "Holiday Competition" with the headline "Win a FREE Week for two in Bahrain". Includes a list of five questions, rules, and a form for participation.

ADVERTISING SECTION

ADVERTISING SECTION

Arab Interest In Tokyo Market Grows



Takao Nakajima, head of Nikko Securities M.E.

THE Japanese were relative latecomers to Bahrain. They experienced the final years of the region's boom period as well as the more subdued business period that followed. Commitment to Bahrain as a center for operations in the region, however, remains undiminished. The positive attitude is reflected at government level by the raising of the Japanese consulate to full ambassadorial status from this April.

The number of Japanese citizens living in Bahrain is estimated to have doubled to about 500 in the last three years. In the financial sector, 17 Japanese banks and eight securities houses are represented on the island. The latter in particular display confidence about current business and future prospects.

In June, Nikko Securities Company expects to announce the formation of Nikko Investment Banking (Middle East) as an exempt company. Daiwa is also expected to raise its status while Sanyo Securities is due to add to the already formidable Japanese presence in Bahrain. The location is seen not only as an excellent bridge between the Far East and Europe but also as a magnet for Middle East funds seeking an outlet in the growing economies of Japan and the rest of Asia.

Takao Nakajima, chief representative for Nikko Securities in the Middle East, declares: "I am very positive and optimistic about the market." His opinion is echoed by other senior Japanese executives in Bahrain. According to Isao Shoji, managing director of Okasan International: "There is still a lot of money in this part of the world looking for investment opportunities."

The Japanese investment market is seen as particularly attractive at the present time. As Mr. Nakajima points out, the fundamentals in the Japanese economy are sound and estimates for the fiscal year ending March 1988 indicate that the average ordinary profits of all listed Japanese companies will show an increase of 29 percent over the previous year.

Kenji Morozumi, president of Nomura Investment Banking (Middle East), also emphasizes the lessons to be drawn from the Black Monday stock-market crash. Last October the Dow Jones and Financial Times indexes fell 36.1 percent and 32.1 percent below their year-high levels. In the same period, the lowest that the Nikkei Average fell below its 1987 high was 17.8 percent. It then rebounded 4.2 percent within a week, making the Tokyo market a focus for international investors. Losses in Tokyo were, Mr. Morozumi points out, offset by the appreciation of the yen against the dollar.

"After the crash we thought many investors would withdraw from the market; in fact the response has been the opposite," he comments. "Our business depends on the market. But we feel the worst is over and things have bottomed out, though this may not be reflected in accelerated recovery. However, one can see quite significant developments in the next three to five years. Investors cannot depend on dollar-denominated stocks. People are diversifying and once they start they continue. We offer a diversified portfolio to clients large or small and the quality of information offered to both is the same."

Mr. Shoji of Okasan is also confident about long-term prospects, declaring: "The cake can get bigger because the client base is there." Client potential is seen in Bahrain as well as Saudi Arabia and Kuwait. "Many would like to know more about the markets we deal in," Mr. Shoji says.

Meanwhile, the Japanese presence in Bahrain matures to accommodate a growing interest and awareness of the investment possibilities available both in Japan and other Far Eastern markets.

Building an Insurance Market in the Arab World

ARAB Insurance Group (ARIG) will have completed seven years of operations by this July, a period in which it has established a respected and expanding role for itself in the international insurance and reinsurance market.

A net income of \$15.1 million was announced by ARIG's board on March 17 together with a dividend totaling \$10.5 million — the same as in 1986.

The most significant aspect of the group's results is that, for the first time, ARIG made a profit of \$6.9 million from its reinsurance operations compared to a loss of \$3.8 million in the previous year. Last year's earned premium income of \$157 million was also an impressive increase of 31 percent over the 1986 figure of \$119.7 million.

The group was formed with finance from Libya, Kuwait and the United Arab Emirates in 1981 in Bahrain with the intention of establishing an Arab-based and Arab-managed insurance adjunct to the world insurance scene.

According to its general manager, Nouruddin A. Nouruddin: "Basically the strategy is to build a home market in the Arab world. We believe we can do it in all branches of reinsurance."

However, the pace of growth for ARIG has reflected its international operations. Four years ago about one-third of ARIG's business came from Arab markets. These now account for one-fifth, not because of an absolute decrease in the region but because of the faster increase of business in other markets.

ARIG has seen a steady expansion in all areas of its activities since its formation. The highest rates of expansion have been achieved in the specialist areas of aviation and oil reinsurance.

From the outset ARIG has emphasized the development of an international facultative book of business based on a selective and conservative underwriting policy. By the end of 1986 the gross written premium in the facultative division

was \$116.8 million, representing nearly two-thirds of the group's total gross written premium.

The biggest proportion of this was accounted for by aviation reinsurance while offshore oil business augmented the gross premium from the oil production sector, refineries and petrochemical plants.

ARIG has a particular commitment to the aviation industry and has built up its account to the extent that it participates in the majority of the world's airline insurance programs. The group's policy is to write purely major risks. In 1986, 43.7 percent of ARIG's aviation market was in North America, 23.6 percent in Europe and 13.6 percent in Arab countries.

It was not until 1985 that ARIG's oil department started to extend coverage to offshore risks, reflecting the group's cautious policy of not proceeding until it has the necessary expertise.

In the oil reinsurance business, technical knowledge is essential. Not only does ARIG have the capacity, but it has built up in the last few years extensive worldwide contacts and developed the expertise to service the oil industry's highly specialized needs.

In 1986 the majority of onshore premiums (31.9 percent) came from Arab countries and most of the offshore premiums (30.2 percent) from North America.

ARIG has adopted a selective underwriting policy with regard to treaty business. Fire accounts for 59.9 percent of the portfolio and marine cargo 17.8 percent. The geographic distribution of activity reflects a commitment and support of the Arab markets, which provided 43.5 percent of business in 1986.

Since 1981 ARIG has concentrated on a selective penetration of its various markets, developing professionalism and annual growth based on quality business.

Insurance market conditions, which had already worsened in 1987, are expected to remain weak throughout 1988. In spite of this, ARIG is confident

Aluminum Industry Turns in a Record Year

IN 1971, when the Aluminium Bahrain (Alba) plant began operations, it marked the island's first and biggest attempt to diversify its economy. The performance of this 57.9 percent government-owned investment has since exceeded all expectations, as production is running at record levels and world aluminum prices have reached an all-time high. Since the operation began, Alba has produced over two million metric tons of metal, and operated

more than BD 700 million (\$1.856 billion) worth of exports.

Strategically located between Western Australia's raw material sources and the Asian and European markets, Bahrain also enjoys the advantages of an abundant supply of cheap natural gas. Alba's efficient management techniques have further helped contain production costs, which have remained constant for more than a decade.

With Alba acting as a focus of Bahrain's industrialization, downstream operations have naturally followed. Bahrain Atomisers was Alba's first spinoff, set up in 1972 to produce aluminum powder for the manufacture of paints and explosives.

In 1976, Bahrain Saudi Aluminium Marketing Company (BALCO) was established. BALCO markets the government's share of Alba's production alongside that of Saudi Arabia, which has a 20 percent interest in the smelter.

Bahrain Aluminium Extrusion Company (BALEXCO) was set up the following year. Though it can produce all types of extrusions, its output typically reflects the construction industry's needs for items such as doors, cladding and window-frames.

Midal Cables followed a year later. The Gulf's sole specialist producer of aluminum conductors for overhead power transmission lines, it is one of the largest users of Alba's high-quality output.

Most recently, the Gulf Aluminium Rolling Mill Company (GARMCO) was set up to produce sheet and coil aluminum. It represents the first big project undertaken by the Gulf Organization for Consulting (GOIC) and is the largest downstream aluminum venture in the region.

Now Alba is planning to invest over \$100 million in its smelter. The move should take production levels to 225,000 metric tons per annum by 1991.

branches of foreign banks grew 5.3 percent to BD 1,436 billion (807 billion) to BD 2 billion (\$400 billion) in 1987.

A dozen of the leading banking community, including Van der Meij, general manager of Algemeine Bank Nederland (ABN) in Bahrain, has seen the business cycle in the region.

"When we started, the concentration was on commercial banking activities," he says. "Now the focus is on foreign exchange and services such as leasing, bankers acceptances and all as specific products such as interest rate swaps, futures, forward agreements and investment advice."

"ABN's strategy in the Middle East has been a typical one of go out and show your face and get used. Our rationale for a long-term relationship with clients," he says.

"ABN has had branches in the Far East for more than 100 years. We have experienced 10 good years in Bahrain and two lean ones. We have had to cut a bit and have increased automation but we came away. This is an important part of the world and will remain so."

Internationally active merchant and commercial bank ABC's Milan branch now rates the second largest foreign banking operation in Italy, after the ABC president and chief executive, Abdulla Saad.

After completing nearly 30 years as a banker, Mr. Saad is an advocate of traditional methods in banking. As for the trend toward "securitization" of international lending through commercial paper and insurance facilities, ABC is not convinced that the new capital instruments represent a real long-term substitute for bank lending for many countries and companies.

"After last October's market crash, a lot of banks, as included in reviewing the trend since phasing out traditional lending," Mr. Saad says.

Further development of ABC's services will be directed to market needs. "No expansion is really needed in the world market and our performance will be in line with the requirements of the market."

Geographically, the Far East is seen as important for the future. "We are in our existing presence in the most dynamic because of the flow of business between the two main areas."

What concerns Mr. Saad are the market generalizations that banks make about the business environment in the Middle East. Mr. Saad is particularly concerned about provisions in some which, as an international bank, ABC cannot take.

"The trend towards provisions that are made for the USA or Europe where taxation changes may be a factor for the importance of the market."

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ARAB BANKING CORPORATION (B.S.C.) FINANCIAL HIGHLIGHTS 1987

Arab Banking Corporation (B.S.C.) experienced another year of balance sheet growth and at the same time maintained satisfactory operating profits during 1987.

Operating profits for the Group before taxation, minority interest and loan loss provisions amounted to US\$188 million compared to US\$175 million for last year. To reflect the realistic and current status of LDC debts and its required provisions of US\$375 million, the Board of Directors decided to allocate all profits after taxes and minority interests to loan loss provisions in addition to US\$217 million transferred from reserves and retained earnings.

Financial Highlights - 1987	1987		1986
	(in million US\$)		
Total Assets	17,548		14,582
Total Loans & Advances	7,171		5,999
Marketable Securities	1,268		1,056
Deposits with Banks & other Financial Institutions (placements)	7,422		6,351
Total Deposits	14,322		11,629
— Deposits from customers	5,538		3,530
— Deposits from Banks & other Financial Institutions	8,784		8,099
Total Capital Resources	1,726		1,719
Shareholders' Funds	1,058		1,261

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Communications: A Sophisticated Link in a Global Network

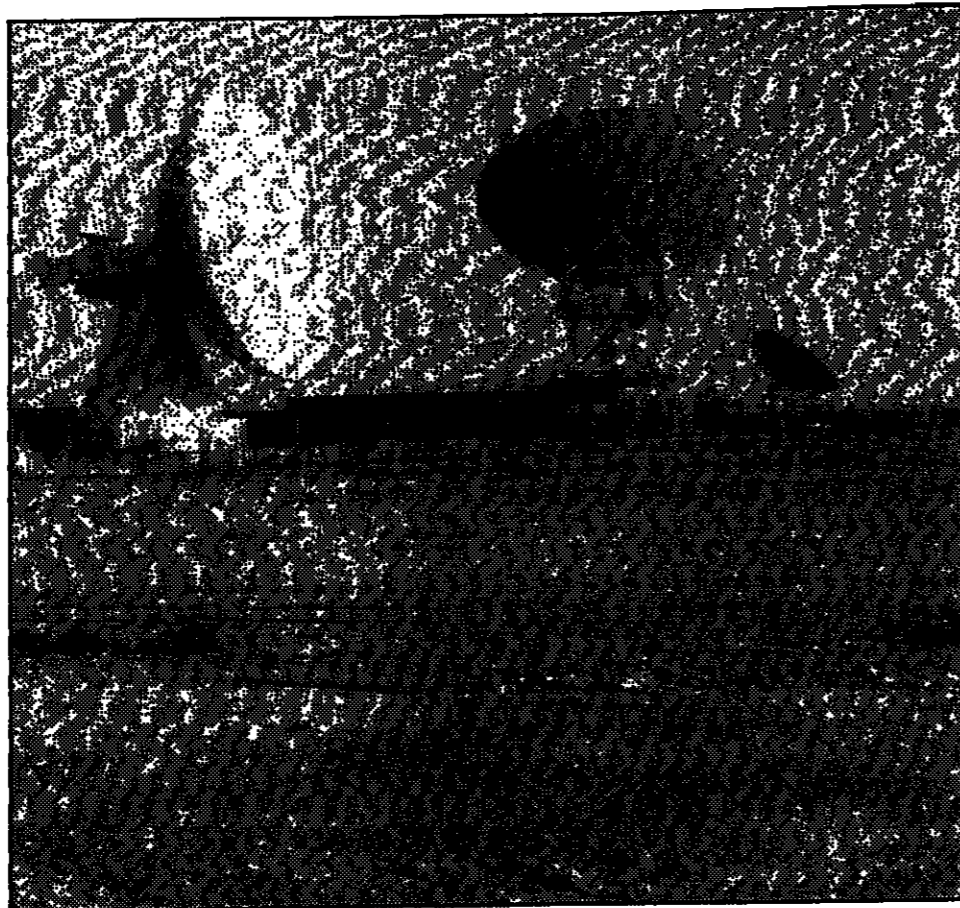
A VISITOR walking in the main thoroughfare of Manama is soon aware of how pervasive, widely used and vital telecommunications are to the island.

A car drives by, its passenger in earnest conversation via a radiotelephone. In nearby offices, financial dealers monitor the computer screens that link them with stock markets across the world. From one of many public boxes installed by Bahrain Telecommunications Company (Batelco), an American casually places a collect call to Texas. Bahrain is truly a telephone society.

Availability of broadly based and reliable telephone services plays an important social as well as business role in the island, allowing both ordinary Bahrainis and workers from outside to maintain regular contact with their families from afar. Bahrain's present ratio of 30 telephones per 100 persons, while open to expansion, is impressive when compared to many other parts of the world.

Bahrain's telecommunications story is one of leadership and technical innovation in the Middle East provided by Batelco since 1981 and previously by the U.K.'s Cable & Wireless, which retains a 40 percent shareholding in the now largely Bahrainized company.

One of the key factors in the island's development as a major commercial center has been a commitment to develop international telecommunications services. The opening of the Middle East's first satellite earth station in 1969 underlined a determination to invest heavily in a drive to estab-



Satellite earth station complex at Ras Abu Jarjur.

lish Bahrain as a sophisticated link in the international telecommunications network.

There are now three earth stations located at Ras Abu Jarjur on Bahrain's southeast coast. Two of them link up with Intelsat satellites over the Indian Ocean and the Atlantic. In 1985, a third link was established with the Arab Satellite (Arabsat) system.

Intraregional links are maintained through a 1,200 channel submarine cable connecting Bahrain to the United Arab Emirates and Qatar. A microwave system, due to be replaced by a fiber-optic cable across the causeway, connects the island with Saudi Arabia.

The system carried near-

ly 39 million minutes of international connections in 1987, a phenomenal total given the relative size of Bahrain and its small population.

The modern infrastructure has allowed Bahrain's extensive financial community and other sectors with specific and complex telecommunications requirements to introduce state-of-the-art equipment. Last July, a miniature financial data receiver was launched in conjunction with Reuters, one of the many Batelco clients that base their Middle East operations in Bahrain.

Alongside the reliability of Batelco's services, their availability has been equal-

ly important in drawing business to Bahrain. Response to faults is rapid. While 90 percent of applications for telephone services are completed within 18 working days, 70 percent are complete within six. Such performance exceeds average European standards.

The growth of new services for Bahrain's business community has been spectacular. Around 463 leased circuits for database access, facsimile, teleprinter traffic and voice communications were in operation by the end of 1987.

Meanwhile, further demand for the International Database Access Service (IDAS) is expected to fol-

low recent tariff reductions. Last year, the number of subscribers to Batelco's public paging system grew from 912 to 2,091. Equally dramatic growth has been recorded by Batelco's Mobile Automatic Telephone System. Its initial 1,000-line capacity will be quadrupled this year.

Bahrain's telecommunications services remain ahead of others in the region. While others have spent huge sums to catch up, there is little doubt that Batelco has set the standard for them to follow. This pattern is likely to continue as the telecommunications world gears up for the introduction of Integrated Service Digital Networks (ISDN) in the coming decade. This multipurpose digital telephone system will accommodate services such as data and fax as well as voice on a single network.

In readiness for ISDN, a second phase of development linking Bahrain's national and international networks with a fiber-optic ring was completed by Batelco last year. An operation to extend and complete the ring is to start this year.

By the end of 1987, 65 percent of Bahrain's national telephone network was based on digital technology. Batelco's overall strategy also allows for accelerated depreciation on older exchanges to encourage acquisition and installation of newer equipment.

A new message switching center, due for completion at the end of 1988, will be the largest real-time computer-operated switching center in the region and will help Batelco develop its international services by providing new private network applications. At the other end of the user spectrum, the latest "intelligent" payphones are already being steadily installed.

— A. R.



Dealing room of Manufacturers Hanover Trust.

MHT: A Multinational Builds Middle East Hub in Bahrain

THE operations of Manufacturers Hanover Trust (MHT) span the globe, with foreign exchange transactions in excess of \$2 trillion trading in 24 locations. Bahrain is the focus of MHT's Middle East trading, generating significant amounts of documentary credit and funds transfer business for branches around the world.

Despite the economic downturn in the region, the area remains a significant business focus with considerable potential, according to Albert Kittaneh, vice president and manager of MHT's Bahrain branch. In line with the statement of confidence, MHT's Bahrain operation has been expanded. Today it has a staff of 54 compared to only 32 in 1983.

"The present atmo-

sphere is good. Despite recession, there are substantial funds available for investment," Mr. Kittaneh says.

When first established in Bahrain, MHT was concerned exclusively with the traditional letter of credit and re-financing business. Since then business has evolved in accordance with the region's demand for increasingly sophisticated financial services. A key reason is Bahrain's time bridge position in world markets. A seven-day-a-week operation is maintained by MHT for its customers with the bank able to reach international money markets almost instantaneously through high-speed data links.

Bahrain is now the hub of MHT's foreign exchange business in the Middle East and is the leader in spot interbank trading in the Gulf, Mr. Kittaneh says.

A factor that has encouraged the growth of MHT's local client base is its reputation for innovative products and services. These include a payments system based on a user's personal computer that was introduced last year. A security clearing service is presently being marketed that guarantees completion of back office work in stock market transactions, which is seen as particularly valuable for clients in the Middle East.

MHT's global status allows it to play a broad role in the region. In October 1987, MHT, as lead agent for 38 banks, concluded 21 months of intensive negotiations on a massive SR 1,300 billion (\$346.6 million) financing for Ghaith Pharaon's Saudi Research

& Development Corporation (Redec). The agreement is the biggest of four major "work outs" that MHT has been involved in since 1985 in the region, Mr. Kittaneh says.

"We have looked over the horizon and determined that there are still very good companies in the area," he adds. "Oil revenues are still substantial by any standards. Economies have learned to live with a reduced level of expansion. At the corporate level there is a more seasoned attitude. Having lived through both boom and recession cycles, better executives have emerged who have seen both sides of the equation."

The boom conditions are not expected to return, says Mr. Kittaneh, who identifies a move by the region's economies toward services. "A two to four percent growth in GNP is a respectable standard. If we can make money in the West at this level of activity we can do so in the Gulf."

Obtaining more from a smaller cake calls for competitive skills, as well as finely honed products. MHT's Bahrain branch stresses the continuity of management that is the bank's hallmark. Mr. Kittaneh's predecessor is now in New York dealing with Gulf business. A cadre of Bahrain staff has also been developed by MHT.

"Providing a core of knowledge within our institution and knowledge of what we are doing in the area — these are particularly vital ingredients in the Middle East," concludes Mr. Kittaneh.

— A. R.

What's the first thing to do if you've got business in the Arab world?



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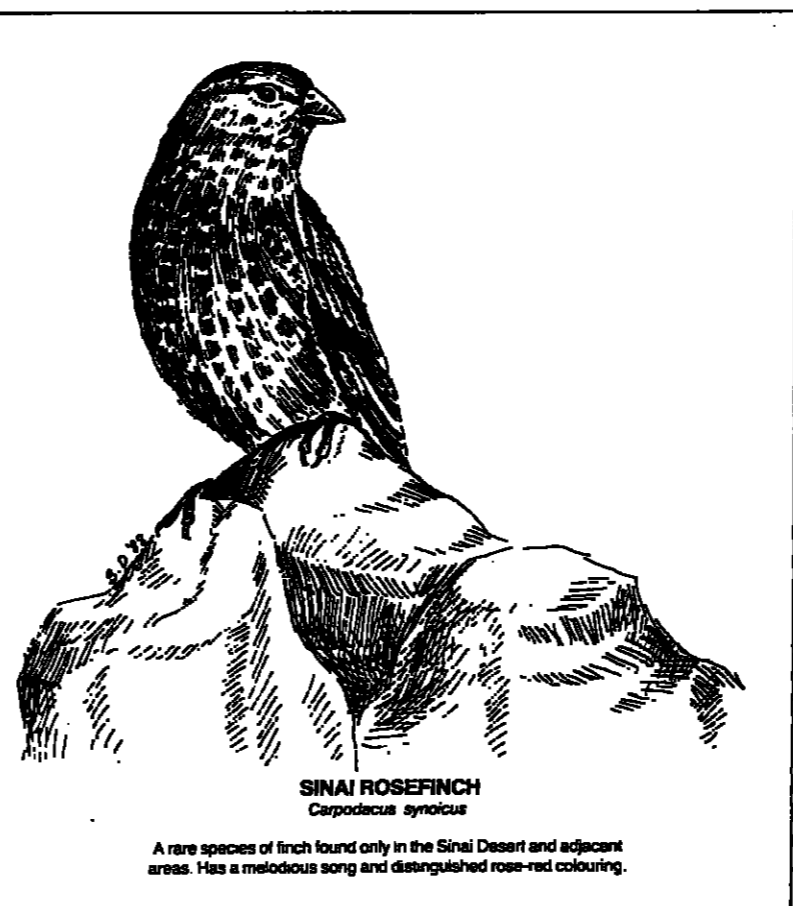
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EUROBONDS

Forecast on Treasuries Is Bad News for Eurodollars

By CARL GEWIRTZ International Herald Tribune

PARIS — If last week's news about the dollar and dollar interest rates were not enough to keep investors away from Eurodollar bonds, Salomon Brothers is giving investors additional reasons: Eurobond prices are likely to deteriorate as all dollar yields widen relative to the benchmark U.S. Treasury paper.

Many strategists are advising clients to buy French franc bonds.

Additional pressure on spreads will result from the increased volume of corporate bonds expected to hit the domestic U.S. market. Salomon estimates an additional \$2 billion to \$3 billion of quarterly volume as capital expenditures of U.S. companies accelerate this year to keep up with the export boom.

Investors appear to have anticipated all this. Since the beginning of this quarter, few Eurodollar bonds have been issued and those that have been were for short periods.

Short maturities remain popular because regardless of what happens to interest rates or spreads, investors are actually no risk since they get their cash back in two years.

Higher consumer demand means widespread capacity problems, worsening trade, and weakness in the dollar, the Dow and dollar bonds.

Higher consumer demand means widespread capacity problems, worsening trade, and weakness in the dollar, the Dow and dollar bonds.

Can Democrats Face Hard Truth on Economy?

By Paul Blustein Washington Post Service



Michael S. Dukakis... Likes 'micro' approach. Bruce Babbitt... Tax hike idea hurt him. Robert Solow... Reconciling two camps.

WASHINGTON — Michael Barker didn't last long in his most recent job — eight months, to be exact. And therein lies an instructive tale.

modestly and might even be counter-productive. "The real economic problems of this country aren't easy. We've been overspending. To do anything about that, you've got to do some painful things, including cutting consumption," said Charles L. Schultz, a Brookings Institution scholar and the former chief economist to President Jimmy Carter.

Galloping U.S. Data Suggest Urgency of Corraling Demand

By Carl Gewirtz International Herald Tribune

PARIS — The vital signs of the U.S. economy, which appeared to fade last October, are now pulsing with a disquieting vigor.

The key difference between Mr. Keating and other economists is his view on consumer demand. Mr. Keating believes the Federal Reserve's recent nudging up of overnight interest rates to a range of 6.75 to 6.875 percent will be followed by a further nudge to around 7 percent, and that this will be sufficient to keep consumer spending in check.

Higher consumer demand means widespread capacity problems, worsening trade, and weakness in the dollar, the Dow and dollar bonds.

Higher consumer demand means widespread capacity problems, worsening trade, and weakness in the dollar, the Dow and dollar bonds.

After Strike, Aeroméxico Declares Itself Bankrupt

MEXICO CITY — The state airline Aeroméxico has filed for bankruptcy after a four-day strike by ground staff that cost the company an estimated \$7 million, according to the Transport and Communications Ministry.

TAIPEI — Taiwan's gold reserves rose to a record of 9.88 million Troy ounces at the end of February, from 8.52 million in January and 5.58 million a year earlier, the central bank said Saturday.

A statement announcing the company's decision Friday said the move would ease the reorganization of Mexico's air transport. "Aeroméxico's declaration of bankruptcy opens new and broader avenues for the recovery of the Mexican air transportation system," the ministry said.

TAIPEI — Taiwan's gold reserves rose to a record of 9.88 million Troy ounces at the end of February, from 8.52 million in January and 5.58 million a year earlier, the central bank said Saturday.

Motorola's Chip Will Bolster RISC Design

By John Markoff New York Times Service

NEW YORK — Motorola Corp. is introducing a powerful new microprocessor Monday, adding momentum to a process that experts say will dramatically lower the cost of computers while increasing their power.

The Motorola announcement follows introductions of RISC microprocessors and computers from companies such as Sun, MIPS, IBM, Intel Corp., Fairchild Semiconductor Corp., Advanced Micro Devices Inc., Hewlett-Packard Co., and Apollo Computer Inc.

Apple Computer Inc. and the Digital Equipment Corp. are two major computer companies that have not adopted RISC, but both have research projects under way.

Last Week's Markets

Table with columns for Stock Indexes and Money Rates. Includes sub-sections for US and Foreign Stock Indexes and Money Rates.

Money Rates

Table with columns for Money Rates. Includes US and Foreign Money Rates.

Advertisement for ELOF HANSSON THE GLOBETRADE. Text: The international trading house active in pulp, paper, machinery, chemicals, timber, building material & steel, textiles, foodstuffs, consumer goods.

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DEMOCRATS: Are the Party's Politicians Avoiding Hard Economic Truths?

(Continued from first finance page) over how to cure the economy's woes.

The disagreement is between two camps that could be labeled "macro" and "micro."

The micro camp wants to see government get involved at a much lower level of economic detail, such as helping individual industries become more competitive.

error of Massachusetts and Governor Mario Cuomo of New York.

The pattern of the past several years, where we were able to consume more and more ahead of our growth in production, will soon be rudely shattered.

But their divergent views can lead to sharply different political messages -- as the Barker case showed.

improve its productive potential less a financial-market disaster impose even worse pain.

The council emphasized the need for vastly improved education and worker training and called for "new and more collaborative relations between American managers and workers, more democracy in the work place."

But a week before a major Democratic Leadership Council conference in Williamsburg, Virginia, in late February, Mr. Barker's bosses

scrapped much of his rhetoric -- especially the gloomy parts -- and replaced it with a proposal for "Democratic capitalism, a new economic compact" between business, labor, government and the education establishment.

The council emphasized the need for vastly improved education and worker training and called for "new and more collaborative relations between American managers and workers, more democracy in the work place."

Mr. Barker prescribed a painful list of remedies, including raising tens of billions in taxes by ending numerous popular tax breaks, cutting Social Security and other political sacred cows, and allowing the dollar to fall further.

It did acknowledge the need for budget cuts and tax hikes similar to those that Mr. Barker advocated, so in a sense it straddled the fence between the macro and micro camps.

Mr. Dukakis is especially fond of "public-private partnerships" aimed at providing a limited dose of government aid to help troubled regions and industries get back on their feet.

Meanwhile, one of Mr. Dukakis's opponents for the Democratic nomination, Senator Albert Gore Jr., of Tennessee, recently adopted a version of the council's "Democratic capitalism."

Texaco Aims to Raise Share Price

It Acts on Dividend, Asset Sale Ahead of June Showdown

By Donald Woutat Los Angeles Times Service

LOS ANGELES — Texaco Inc. is raising the stakes in its restructuring plan and restoring the \$3 per share annual dividend, apparently hopes to drive up the price of its stock before an expected power struggle at the June 7 annual meeting.

It suggested that it would use some of the proceeds to make a "significant" repurchase of its stock.

prised that Texaco resumed the full 75-cent quarterly dividend, however.

Its previously announced plan to sell \$3 billion in assets had been criticized by the investment community as inadequate to restore confidence in the company.

The \$3 dividend will buy them some time, but I think they also have to announce one major asset sale before the annual meeting," said Mr. Friesen.

Mr. Icahn, who now owns 14.8 percent of Texaco's stock, has proposed a slate of five nominees for Texaco's 14-member board, to be elected at the annual meeting.

The combined holdings of Mr. Icahn, the leveraged-buyout specialists Kohlberg, Kravis, Roberts & Co., and institutional investors exceeded 50 percent of the outstanding Texaco shares.

Previously, it had acknowledged active efforts to sell half interests in the three refineries, its West German subsidiary, and 60 million barrels of scattered U.S. oil reserves; Texaco Canada, 78 percent owned by Texaco, is another possibility.

American Exchange Options

Figures as of close of trading Friday, April 15

Table of American Exchange Options with columns for Option & Price, Calls, and Puts for various months.

Table of Option & Price, Calls, and Puts for various companies and months.

Text articles discussing economic issues, including the impact of tax laws and corporate restructuring.

7 Are Leaving First Boston To Found a Buyout Rival

New York Times Service NEW YORK — Seven executives who have played a leading role in First Boston Corp.'s leveraged buyout business, including two managing directors, are leaving to set up a competing firm, First Boston said.

Chicago Exchange Options

Figures as of close of trading Friday, April 15

Table of Chicago Exchange Options with columns for Option & Price, Calls, and Puts for various months.

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table of NASDAQ National Market with columns for various stock indices and individual stock prices.

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Vertical text on the right edge of the page, likely from an adjacent page or a sidebar.

New International Bond Issues

Compiled by Aimee Potter Hardon

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price and week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Salomon Blames Index Funds in Dow's Drop Last Thursday

By Anise C. Wallace

New York Times Service NEW YORK — One of the largest U.S. stock index arbitrage trading firms has blamed stock-index fund managers for almost half of the steep decline in the Dow Jones industrial average on Thursday.

Salomon Brothers, an active index arbitrage trader, asserted Friday that the Dow would have declined only 58 points on Thursday instead of 101.46 points if index funds had not sold stock to rebalance their portfolios.

But index fund managers and brokers who trade with them vigorously disputed Salomon's analysis, which was issued in a news release. "To say that an entire market of trillions of dollars is being affected by a few hundred million dollars is really absurd," said Jeffrey L. Skelton, vice chairman of Wells Fargo Investment Advisor, which oversees \$35 billion in index fund accounts for pension funds.

One broker who trades almost exclusively with index funds said he saw very little evidence of portfolio rebalancing Thursday. Other traders, however, agreed that the change in the index could have touched off index fund selling. But they speculated that Salomon was trying to shift attention from its role as an index arbitrage trader.

Salomon's news release said that based on "complex calculations," Mr. Birinyi and Keith Miller, a research analyst, concluded that the Dow, "based on the amount of selling that occurred in Thursday's market, should have only been down 58 points."

EUROBONDS: More Bad News for Dollar Sector

(Continued from first finance page) While its 6 percent coupon was a substantially higher yield than on other sovereign paper, Malaysia paid less of a premium on this issue than it has on previous occasions.

In the ever-popular equity-linked market, Japanese issuers continue to cut coupons without having much effect on the premium prices at which the paper is traded.

Salomon especially likes Japanese pharmaceuticals, semiconductor producers and companies likely to benefit from the boom in capital investment: Mitsubishi Heavy, Yokogawa, Fanuc and Komatsu.

For Hungary, Tighter Loan Terms

By Carl Gewirtz International Herald Tribune PARIS — Hungary, which reportedly is close to arranging a \$350 million standby loan from the International Monetary Fund in exchange for tighter control over its budget deficit, ended the international credit market last week seeking \$200 million.

Reflecting creditors' concern about a continuing steep rise in Hungary's foreign debt and domestic economic problems, the terms on the loan represent a substantial tightening over what the country paid last year.

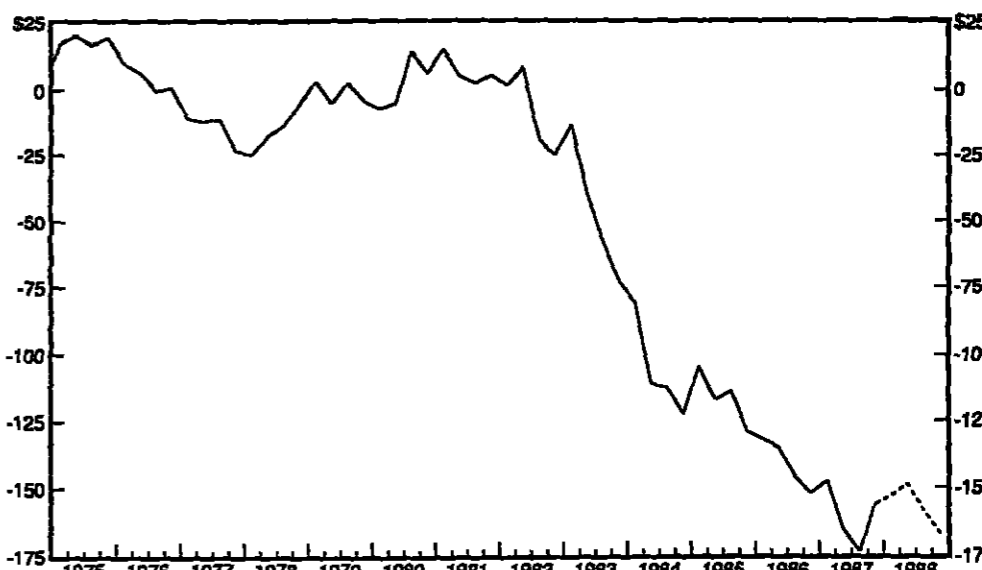
The borrowing charge is set at 1/2 point over the London interbank offered rate for the first five years, rising to 3/4 point over Libor for the final three years.

DEMAND: Still Galloping in U.S.

(Continued from first finance page) about trade improvement will spark severe tests for the dollar, discouraging private foreign investors from buying dollar assets needed to finance the current account deficit and causing interest rate differentials between the U.S. and other markets to widen.

The IMF recommendation for curbing demand is further action to reduce the U.S. budget deficit. But there is no hope of that in the seven months preceding the presidential election. As a result, private analysts project a scenario of rising U.S. interest rates and a falling dollar.

U.S. Current Account Balance



Salomon Brothers projects that the current-account deficit will worsen in the second half of 1988.

MARKETS: To Jumpy Traders, Good U.S. Economic News Looks Bad

(Continued from Page 1) growth of more than 3 percent this year, against well under 2 percent in November.

much as they can produce, and can put prices up, profits go up and there is no great incentive to keep wages down," Mr. Foley said.

inflation expectations, particularly because those who were forecasting recession had pitched their inflation forecasts very low. The change in expectations will be even greater if oil and commodity prices continue to rise, Mr. Horne points out.

"dollar sector" close to full capacity, it will be harder to increase exports, or produce more American goods to compete with the imports.

But too sharp a fall in the dollar, it is feared, could trigger a world recession, which would be bad news for everyone, not just the United States. It would also be inflationary, by making the imports people keep buying more expensive.

IMF: Moving Toward Major Role in Eastern Europe

(Continued from Page 1) informal Polish program will lead to an IMF standby loan and a restructuring program over several years from next year, officials say.

Communist Party apparatus — as ruler of their economies. "The reason for our deeper cooperation with the IMF is not based on credits," Razyly Samoilik, Poland's minister of finance, said in a recent interview.

experts said. Though the nominal goal of the fund is payments balance, the measures it recommends, like cuts in subsidies, often coincide with the steps, necessary in communist countries to create a functioning market.

In Yugoslavia, where the combination of a weak federal government and bitter rivalries between six constituent republics has rendered useless repeated efforts to halt 150 percent inflation, the government of Prime Minister Branko Mikulic appeared to see the IMF as a necessary evil.

Some Western experts pointed out that IMF measures were not always consistent with the ideals of Soviet bloc restructuring, or perestroika. To create an economic marketplace, for example, most bloc countries have had to accept a surge of inflation, but IMF measures may favor suppressing inflation over sustaining the market.

Autolatina's 1987 Loss In Brazil Is \$223 Million

SÃO PAULO — Autolatina, the largest automobile leasing company in Brazil, reported a 1987 loss of \$223 million.

Price Showdown

Teach, who now owns 51 percent of Texaco's stock, has announced a state of five-year non-competition clause.

Price Showdown

Management has got to persuade investors, coming out of this recession, that it will be a viable company.

Euromarts At A Glance

Table with columns: Eurobond Yields, Apr. 13, Apr. 14, Apr. 15. Lists yields for various countries and maturities.

Table with columns: Weekly Sales, Apr. 15. Lists sales for various countries.

Table with columns: Libor Rates, Apr. 15. Lists Libor rates for various currencies.

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TREASURY BONDS April 15. Table with columns: Maturity, Bid, Ask, Yield, Wt.-%.

U.S. Consumer Rates April 15. Table with columns: Item, Rate.

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